



Pinnacle Claims Management, Inc. (PCMI)

Third Party Administrators & Self-Funded Benefit Plans

HIPAA Readiness Disclosure Statement

Overview

PCMI have been diligently following the evolution of the Administrative Simplification provisions of the Health Insurance Portability and Accountability Act (HIPAA) since its inception in 1996. Our goal is to ensure our systems, supporting business processes, policies, and procedures can successfully meet the HIPAA implementation standards and deadlines mandated by the United States Department of Health and Human Services (DHHS). We are fully committed to a compliant HIPAA implementation strategy.

To achieve this goal, we have or are in the process of accomplishing the following:

- Formation of a HIPAA Steering Committee
- Completion of an impact assessment on business processes and systems
- Development and implementation of HIPAA Education and Awareness programs
- Identification of specific remediation projects necessary to mitigate actual or potential exposures
- Assessment of the impact the HIPAA requirements may have on our products and services

This readiness statement assumes the recipient has a basic understanding of HIPAA requirements. Organizations that do not yet have this basic understanding are encouraged to review the legislation and Final Rules by downloading them at no charge from the U.S. Department of Health and Human Services at: <http://aspe.hhs.gov/admsimp/>.

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statement to such third parties, nor quote verbatim, in whole or in part, any part of this HIPAA readiness statement.

Our Compliance Plan

PCMI's Task Force is leading HIPAA efforts throughout our organization. Our focus in 2002 is planning, education, internal remediation, testing, and standard transaction implementation. The focus in 2003 will be the translation of non-standard transactions into standard and the full migration of our network members and trading partners to a HIPAA compliant production model.

Our HIPAA Strategy

HIPAA is more than a compliance issue. It is an opportunity to dramatically change healthcare administration, and as a result, HIPAA is integral to our long-term business strategy. PCMI recognizes the importance of offering a comprehensive solution to our trading partners that will assist them to be HIPAA compliant. Our HIPAA strategy reflects this with a comprehensive approach and

Training and Education

PCMI's HIPAA training and education is well underway:

- All levels of personnel will complete a HIPAA workshop
- Associates will have a thorough awareness of HIPAA's requirements
- Education efforts are ongoing through internal workgroups, training sessions and other resources.
- A single point of contact for HIPAA questions and inquiries: hipaa@wga.com

PCMI recognizes a tremendous need for HIPAA training and education throughout the healthcare industry. In addition to our internal efforts, our strategy includes outreach and education for our customers and business partners. Efforts include:

- Surveying each of our business partners to determine their compliance status
- A single point of contact for HIPAA questions and inquiries

ANSI Testing

ANSI Claim Overview

Under HIPAA, the ANSI ASC X12N 837 version 4010 transaction, (commonly known as ANSI 837) has been adopted for all professional claims and encounters. Within this, transaction standards have also been adopted for both medical and non-medical code sets. Entities who exchange claims or encounters electronically are required to use this transaction format and the standard code sets no later than October 16, 2002, or October 16, 2003, for those who file an extension. Specifications and code set requirements for the HIPAA ANSI 837 can be obtained from The Washington Publishing Company (http://www.wpc-edi.com/hipaa/HIPAA_40.asp) . Note: Individuals must register to obtain a login but there is no charge to download documentation.

HIPAA's Extension

The Health Insurance Portability and Accountability Act (HIPAA) was signed into Federal Law on August 21, 1996 to improve the efficiency of health care delivery. HIPAA mandates standards for Electronic Data Interchange (EDI) transactions and code sets. It establishes uniform health care identifiers for providers, health plans, and employers. Compliance with HIPAA requires the use of ANSI ASC X12N (Version 4010) transaction standards and implementation guides. It also addresses privacy and security.



The final rules for transactions and code sets were published in the Federal Register on August 17, 2000, and the compliance date is October 16, 2002. However, President Bush signed a bill on December 27, 2001 (HR 3323) enabling covered entities to delay compliance with the transactions and codes sets rule by one year until October 16, 2003. To qualify for the extension, covered entities must submit a compliance plan to the Secretary of the Department of Health and Human Services by October 15, 2002. In March 2002, the Secretary of the Department of Health and Human Services publicized a standard form that covered entities can use in filing for an extension. The form must be filed electronically by October 15, 2002 and can be accessed from the following Web site: <http://cms.hhs.gov/hipaa/hipaa2/TCSFormInstructions.asp?> or mailed and postmarked by October 15, 2002.

PCMI filed for the Transactions and Code Sets an extension on September 10, 2002. Extension confirmation number for Pinnacle Claims Management, Inc. is: 1129412

The final rule for Privacy Standards was published in the Federal Register on December 28, 2000. The compliance date is April 14, 2003. This date is not affected by the extension granted for the final rules for transactions and code sets.

Covered entities will be subject to financial penalties, which will be defined under the pending Enforcement Regulation, if they do not comply with the dates mandated by the HIPAA rules and regulations.

Business Associate Agreements

All PCMI's HIPAA related language has been added as an addendum to our existing contracts. Completing this addendum is one step in our HIPAA implementation process.